

Message Text

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16

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FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 9828

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E.O. 11652: N/A

TAGS: OGEN CASC

SUBJECT: OPRED: PROPOSAL TO ESTABLISH SINGAPORE IRS OFFICE

REF: STATE 246522

1. ALTHOUGH EMBASSY APPRECIATES REASONS WHY IRS WISHES TO ESTABLISH OFFICE IN SINGAPORE, BELIEVE FOLLOWING FACTORS MILITATE AGAINST ITS BEING ESTABLISHED HERE.

A. GOS MIGHT WELL BE OPPOSED TO OUR ESTABLISHING IRS OFFICE AND IN ANY EVENT WOULD PROBABLY DO NOTHING TO FACILITATE ITS ESTABLISHMENT SINCE GOS WOULD NOT PERCEIVE IT OFFERED SUFFICIENT BENEFITS TO SINGAPORE. THIS WOULD BE THIRD USG INVESTIGATIVE BODY TO BE LOCATED IN SINGAPORE AND MIGHT AROUSE LATENT GOS FEELINGS THAT US WAS IN PROCESS OF ESTABLISHING EXTRATERRITORIAL RIGHTS BY GRADUAL ACCRETION. DEPARTMENT WILL RECALL THAT GOS WAS MOST RELUCTANT TO ALLOW ESTABLISHMENT FBI AND DEA OFFICES AND DID SO ONLY AFTER PROLONGED PRESSURE FROM USG. ALTHOUGH GOS REJECTED CUSTOMS OFFICE PRIMARILY ON GROUND THAT CENTRAL NARCOTICS BUREAU DID NOT WISH TO LIAISE WITH MORE THAN ONE USG AGENCY, EMBASSY ESTIMATED AT THAT TIME THE ONE FACTOR BEHIND GOS REFUSAL WAS THAT FINANCE AND OTHER MINISTERIES WERE UNWILLING TO HAVE A FOREIGN CUSTOMS AGENT MOVING

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ABOUT IN THE OUTER HARBOR AND BECOMING KNOWLEDGEABLE

ABOUT SEMI-LEGAL OR ILLEGAL TRAFFIC PRINCIPALLY RELATING TO INDONESIA (SINGAPORE 1997, JULY 1972).

B. SINCE MOST US INVESTMENT IN SINGAPORE EXISTS IN FORM OF WHOLLY-OWNED SUBSIDIARIES INCORPORATED IN SINGAPORE, IT IS QUITE POSSIBLE GOS MIGHT BE CONCERNED THAT US TAX OFFICIALS WOULD PROBE TOO MUCH INTO FINANCES OF SUCH SINGAPORE COMPANIES, AND DEVELOP TOO MUCH INTELLIGENCE ON INTERNAL FINANCIAL SITUATION AND ON LINKS BETWEEN SINGAPORE FIRMS AND SINGAPORE'S FINANCIAL INTEREST IN OTHER COUNTRIES OF THE REGION. WHILE PRESENCE OF IRS OFFICE WOULD AFFORD GREATER LIAISON OPPORTUNITIES TO GOS TAX DEPARTMENT AND MIGHT ASSIST IT IN APPREHENDING THEIR OWN TAX DODGERS AS WELL AS PROVIDING POSSIBLE TRAINING BENEFITS, BELIEVE GOS WOULD NOT REGARD THIS AS SUFFICIENT BENEFIT TO OUTWEIGH NEGATIVE FACTOR CITED ABOVE. MOREOVER, GOS HAS BEEN ABLE TO OBTAIN TAX EXPERTISE THROUGH IESC AND WOULD PROBABLY PREFER TO USE SAME ARRANGEMENT (IF REQUIRED AGAIN) WHICH WOULD BE COMPLETELY UNDER ITS OWN CONTROL.

C. EVEN IF GOS DID PERMIT IRS TO OPEN OFFICE IN SINGAPORE, THERE IS VIRTUALLY NO LIKELIHOOD THAT IT WOULD BE WILLING TO FACILITATE ITS ESTABLISHMENT BY INCREASING PRESENT CEILING ON HOME-BASED STAFF OR PROVIDING ANY FORM OF PRIVILEGED STATUS FOR IT. ASIDE FROM FULLY SUBSCRIBED CEILING ON DIPLOMATIC PERSONNEL WHICH NOT AT ISSUE HERE, GOS HAS GIVEN EMBASSY CEILING OF 36 "HOME-BASED" STAFF WHO RECEIVE SPECIAL ID CARDS, ONE TIME FREE ENTRY ON HOUSEHOLD EFFECTS BUT NO FREE ENTRY ON AUTOMOBILES. SINCE 35 OF THESE SPACES ARE ALREADY FILLED, ONLY ONE OF THREE PERSONS FOR PROPOSED IRS OFFICE COULD BE ASSIGNED TO HOME-BASED STAFF. OTHERS WOULD MERELY HAVE EMPLOYMENT PASSES AND HAVE SAME STATUS AS US BUSINESSMEN. GOS IS ADAMANTLY OPPOSED TO INCREASING CEILING FOR EIGHT DIPLOMATIC OR HOME-BASED STAFF SINCE IT WOULD THEN HAVE TO DO THE SAME FOR SOVIET EMBASSY AND EVENTUALLY FOR THE CHINESE COMMUNIST EMBASSY (WHICH LIKELY TO BE ESTABLISHED SOMETIME NEXT FEW YEARS).
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D. SINCE BEGINNING OF FY 1972 THERE HAS BEEN PROLIFERATION IN SINGAPORE OF USG PRESENCE, EVIDENCED BY ADDITION OF FOLLOWING OFFICES TO WHICH EMBASSY PROVIDES EITHER FULL OR PARTIAL ADMINISTRATIVE SUPPORT: USCG, DEA, FBI, US TRADE CENTER, AND A NUMBER OF AIR FORCE AND DOD CIVILIAN PERSONNEL ASSIGNED TO SINGAPORE FOR SPECIAL PURPOSES. (THESE MILITARY

PERSONNEL DO NOT HAVE HOME-BASED STATUS.) OF THESE OFFICES THE CHANCERY HOUSES USCG, DEA AND FBI WHOSE STAFF TOTAL 8 AMERICANS AND 2 FSLs. IN ADDITION CHANCERY HAS ABSORBED AN INCREASE OF 1 AMERICAN AND 1 FSL IN DAO, 1 AMERICAN IN USIS, 1 OEM AND 1 AID/RED FUNDED FSL. RESULTANT OFFICE SQUEEZE AND INCREASED ADMINISTRATIVE SUPPORT REQUIREMENT HAVE STRETCHED OUR RESOURCES TO THE LIMIT. AS CONSEQUENCE EMBASSY ONLY ABLE TO PROVIDE BARE MINIMUM OF ADMINISTRATIVE SUPPORT FOR OFFICES LOCATED WITHIN CHANCERY AND VIRTUALLY NO SUPPORT TO OFFICES LOCATED OUTSIDE CHANCERY. ADMINISTRATIVE SECTION WOULD NOT BE IN POSITION TO PROVIDE ADDITIONAL SUPPORT TO ANY NEWLY ESTABLISHED OFFICE UNLESS IT RECEIVES ADDITIONAL PERSONNEL. ADDITIONAL 1500 SQUARE FEET OF OFFICE SPACE BEING ADDED TO CHANCERY WILL RELIEVE SOME OF THIS CONGESTION AND WILL MAKE IT POSSIBLE FOR ECON/COMMERCIAL SECTION TO RECEIVE ADDITIONAL OFFICE SPACE WHICH WILL STILL NOT BE ENTIRELY ADEQUATE TO PROMOTE EXPANDED US COMMERCIAL EFFORT HERE.

2. CONSEQUENTLY IF GOS WERE WILLING TO ALLOW IRS OFFICE TO BE ESTABLISHED HERE IT WOULD HAVE TO OPERATE UNDER FOLLOWING DISADVANTAGES:

1. ONLY ONE OF ITS AMERICAN PERSONNEL WOULD HAVE HOME-BASED STATUS.
2. OFFICE COULD NOT BE LOCATED WITHIN EMBASSY.
3. EMBASSY WOULD NOT BE ABLE TO PROVIDE ANY ADMINISTRATIVE SUPPORT OR ARRANGE GOVERNMENT-LEASED HOUSING UNLESS ADDITIONAL PERSONNEL ASSIGNED TO ADMINISTRATIVE SECTION. ADMINISTRATIVE SECTION HAS HAD TO OPERATE WITH SAME NUMBER OF SAS PERSONNEL DESPITE ADDITION LIMITED OFFICIAL USE

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OF OFFICES CITED IN PARA D. THEREFORE, AT LEAST 2 ADDITIONAL SAS FSL POSITIONS WOULD HAVE TO BE ESTABLISHED BEFORE EMBASSY COULD CONTEMPLATE SUPPORTING ANY ADDITIONAL USG OFFICE.

3. IN VIEW ABOVE FACTORS, BELIEVE IRS MAY WISH TO RECONSIDER PLANS. THEREFORE, I PROPOSE TO DELAY APPROACH TO GOS UNLESS INSTRUCTED OTHERWISE.
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